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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 004154

SIPDIS

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SUBJECT: ASSISTANT SECRETARY FRIED'S PARIS MEETING WITH MFA
POLITICAL DIRECTOR DE LABOULAYE

REF: PARIS 4153

Classified By: Charge d'affaires Alex Wolff for reasons 1.4 (b) and (d)

1. (C) Summary: MFA Political Director Stanislas de Laboulaye told visiting Assistant Secretary Daniel Fried June 8 that French and Dutch voters' rejection of the EU constitution had precipitated a crisis in European affairs. This was not the EU's first such set-back, but it was serious and would require careful thinking on next steps. Laboulaye, in contrast to Elysee Diplomatic Advisor Gourdault-Montagne (reftel), thought it would be wisest to halt the constitutional ratification process in order to avoid more voter rejection and a deepening crisis. Concerns over EU enlargement, including a diminished sense of job security, and fears that their social welfare guarantees were under attack from an EU moving rapidly towards a free-market, "Anglo-Saxon" economic model, caused many in France to vote no. This would necessitate much more careful deliberation on future EU enlargements. Agreeing on the need to continue U.S.- EU cooperation in addressing world problems, Laboulaye said solving the Israeli-Palestinian conflict should be a major shared priority. End summary.

2. (C) Assistant Secretary Fried met in Paris June 8 with MFA Political Director Stanislas de Laboulaye. Participants included:

U.S.

A/S Fried
Charge Alex Wolff
Acting DAS Kathy Allegrone
A/POL Paul Mailhot (notetaker)

France

Political Director de Laboulaye
Director for Strategic and Security Affairs Philippe Carre
Director for Near East and North African Affairs Bernard Thibault
Common Foreign and Security Policy Unit Chief Jean-Louis Falconi
DAS-equivalent for North American Affairs Odile Roussel

3. (C) As he had during his meeting a day earlier with Elysee Diplomatic Advisor Gourdault-Montagne (reftel), A/S Fried opened his meeting with MFA Political Director de Laboulaye by stating that he had initiated his visit to France, Italy and Germany to assure governments and publics that the U.S. wanted Europe to remain a strong partner and not to turn inward as a result of voters' rejection in France and the Netherlands of the EU constitution. The U.S. and Europe had worked hard over the last two years to repair their relationship after the damage caused by our disagreement over Iraq. We are now cooperating effectively on Iraq, Iran, the Broader Middle East, Syria/Lebanon, and the Middle East peace process. We have good, workable arrangements in place for NATO-EU cooperation. We have even initiated a strategic dialogue on China, so that our discussion of the EU arms embargo does not occur in a vacuum. We are making progress on our common agenda and we want to maintain the momentum. A confident Europe able to maintain an EU perspective for the Balkans states, and if not immediately, eventually for Turkey and Ukraine and others on the EU's eastern borders will remain a force for peace and stability on the continent. Our positive agenda will be a major focus of the U.S.- EU summit June 21-22.

4. (C) Laboulaye said France shares these same objectives, but noted that the votes in France and the Netherlands had ushered in "a time of reflection" in the EU. In fact, it could very probably be called a crisis. Even though the EU had weathered crises before, the votes posed an existential dilemma for the EU. "It's about what we want to do," as a union, and a question that will not be solved at the June 16-17 European Council. A first question, made even more current by the British decision to suspend their process, is whether to continue with the constitutional ratification process or to give it up as a lost cause, Laboulaye said. An argument could be made that it is necessary to continue the process, de Laboulaye said. However, in contrast to the

Elysee's Gourdauld-Montagne, Laboulaye said that continuing might just set up the EU for more no votes and even deeper crisis, and it might therefore be wisest to call a halt to the process.

15. (C) Voters' uneasiness over enlargement and their lack of acceptance of the most recent, 10-member expansion, were major factors accounting for the no vote in France, Laboulaye went on. There is a wide-spread perception among voters that they were not sufficiently consulted about the most recent enlargement. This bred resentment as voters found that their lives were directly affected by the "delocalization" of jobs to the east and the influx of low-wage workers from the new member countries. In addition, many in France felt that their social welfare benefits were under threat from a leadership bent on implementing a free-market, "Anglo-Saxon" economic system throughout the EU. The vote in France pointed up disturbing divisions, with cities and the well-to-do voting for the constitution and the country-side and less-well-off voting overwhelmingly against. France will have to step back and deal with these issues.

16. (C) Laboulaye recalled that new Prime Minister Dominique de Villepin had made reducing unemployment his government's top priority, in direct response to the fears among French workers that lay behind their no votes on the constitution. Germany, too, will focus on strengthening domestic economic and social conditions in the wake of the no votes. Moreover, France will seek to reinforce its conception of a supportive social model at the European level, but may well encounter opposition from the UK, which will exert significant control over the agenda as UK presidency nation starting July 1. "This could lead to tension at the beginning of the EU presidency," Laboulaye said. Inevitably, France will have to be more inward looking before it can begin again to try to shape the kind of Europe it wants.

17. (C) The defeat of the constitution will also cause France to "reflect on EU enlargement" which has not been popular. Immigration policy, even more of an issue in the Netherlands than in France, will also have to be examined. So pervasive are these concerns that many believe that had Italy, Germany and others in "old Europe" mounted referendums on the constitution, their populations, too, would have voted no, Laboulaye said. For Romania and Bulgaria, the process will likely move forward, but this will have to be discussed. For the Balkans, while French diplomats may agree on the need to preserve the incentive of prospective EU membership, most French voters will be much more reserved, and the government will have to be responsive, Laboulaye said. A/S Fried cautioned that retrenchment could lead only to perpetuation of a downward economic spiral. The solution lies in a political leadership able to explain the benefits to continental stability entailed in maintaining a European future for the Balkans states. While we want no voice in European constitutional arrangements, we do want to continue to have a strong Europe as a partner on such issues as promoting democracy in the Broader Middle East, and ending the violence and helping people in distress in Darfur.

18. (C) Europe will need time "to reflect on how to put the pieces back together," Laboulaye responded. Decision-making is proving time-consuming and difficult with 25 members. France wants the EU to speak with one voice, not in a collection of voices. This will be difficult, but the U.S. can help by avoiding playing one member off another, Laboulaye went on. Inter-state relations will be far more sensitive within the EU in the wake of the no votes. Any exploitation of differences "over a small question, like Darfur," for example, could precipitate wider misunderstanding. A/S Fried responded, saying that the U.S. was not seeking to divide EU members. He warned, in turn, that Europe should not seek to forge artificial unity by setting up Europe as a counterweight to the U.S. or behaving as if NATO "were a carrier of disease." We have to focus on our shared, positive agenda.

19. (C) Laboulaye agreed and said that the Israeli-Palestinian conflict was perhaps the most important issue on which Europe and the U.S. could work together. It was continually surprising, he said, how central this question was for most Europeans, while it remained of only peripheral concern in the U.S. Like the Dreyfus Affair of a century ago, the topic is never absent from conversations among the French. The U.S. has a decisive role to play. President Bush's statements during Palestinian Prime Minister Abbas's visit to Washington last week were encouraging. Both the U.S. and Europe want Israeli Prime Minister Sharon to succeed with Gaza withdrawal. If he does so, it will be important for him to move quickly thereafter to initiate a withdrawal from the West Bank. A/S Fried said it was essential that Gaza withdrawal succeed. This could create the momentum needed to move to the next stage in the West Bank. Failure in Gaza, however, would set the process back for years. Sharon's commitment was important, but so too, was Abbas's to tightening security and cracking down on

terrorism.

110. (U) A/S Fried cleared this message.
WOLFF